No. 03-409

AUG 13 2004

In The
Supreme Court of the United States

KP PERMANENT MAKE-UP, INC.,

Petitioner

v.

LASTING IMPRESSION I, INC.,
AND MCN INTERNATIONAL, INC.

On Writ Of Certiorari
To The United States Court Of Appeals
For The Ninth Circuit

BRIEF FOR RESPONDENTS

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QUESTION PRESENTED

Whether an incontestable trademark can be "used fairly" within the meaning of 15 U.S.C. § 1115(b)(4), by a competitor of the trademark owner where the competitor commercially uses the trademark in connection with its own similar goods, and that use is likely to lead consumers to confuse the competitor's goods with the trademark owner's goods.

RULE 29.6 CORPORATE DISCLOSURE STATEMENT

There is no parent or publicly held company owning 10% or more of the stock of respondent Lasting Impression I, Inc., or respondent MCN International, Inc.

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STATEMENT

A. Factual Background

1. Respondent Lasting Impression I, Inc. (Lasting Impression) is a manufacturer and seller of liquid pigments that are injected into a person's skin during a process known as permanent make-up application (also known as micropigmentation or cosmetic tattooing). Pet. App. 3a.

The permanent make-up application process alters the hue of the skin. *Ibid.* The process is used following medical procedures to eliminate scars or to reconstruct lost eyebrows or breast tissue, or for pigmentary disorders, as well as in the cosmetic industry to apply permanent eye liner or other make-up. *Ibid.*; J.A. 130-131. The injectable pigments used in permanent make-up application are sold in small bottles. Pet. App. 4a.

2. Respondent Lasting Impression has been using "Micro Colors" "commercially as a trademark for its line of permanent makeup pigments" since April 1992. *Id.* at 3a. In the permanent make-up industry, the term "Micro Colors" is understood to refer to respondents' products. *Id.* at 14a; *see also id.* at 25a. The words "micro colors" are "not commonly used as standard or generic names for the permanent make up pigments" within the industry. J.A. 142.

In 1992, Lasting Impression filed an application with the United States Patent and Trademark Office (PTO) for federal registration of its "Micro Colors" trademark under the Trademark Act of 1946 (Lanham Act), 15 U.S.C. § 1051 *et seq.* J.A. 211; *see* Official Record, U.S. Trademark No. 1,769,592. After full examination, including an amendment requested by the PTO (clarifying that "no claim is made to the exclusive right to use 'colors', apart from the mark as shown," J.A. 211), the PTO examiner determined that the trademark was entitled to registration on the Principal Register and published the mark in the PTO's *Official Gazette* in February 1993 for public comment. Pet. App. 3a; J.A. 214.

On May 11, 1993, the PTO registered Lasting Impression's "Micro Colors" trademark. Pet. App. 3a; J.A. 211-212. "The mark is registered as a design and word mark and consists of a solid black rectangle, with the words 'micro' and 'colors' in reverse white lettering," and the two words are separated by a horizontal green bar. Pet. App. 3a; *see id.* at 20a (reproducing Lasting Impression's registered mark as Appendix A to court of appeals' opinion); J.A. 211.

In 1999, the PTO accorded the "Micro Colors" trademark incontestable status pursuant to the requisite affidavits from respondent Lasting Impression under 15 U.S.C. § 1065. The affidavits established that Lasting Impression had been using the mark on the specified goods continually for the five years since the 1993 registration and that no challenges were pending to the mark. Pet. App. 3a; J.A. 213.

Respondent Lasting Impression is the owner of the "Micro Colors" trademark and respondent MCN International, Inc., as its distributor, is authorized to distribute goods bearing its trademark. Pet. App. 2a. For ease of reference, we often refer below to the respondents collectively as the trademark owners.

3. Petitioner KP Permanent Make-Up is a direct competitor of respondents in the small commercial market of permanent make-up pigment sales. *Id.* at 3a; J.A. 167. Petitioner and respondents "sell their pigments to the same end users." Pet. App. 3a.

B. Proceedings Below

1.a. In January 2000, respondents sent a letter to petitioner requesting that it discontinue use of the term "micro colors" on its marketing and advertising materials and on its pigment bottles. Pet. App. 2a.

In March 2000, petitioner filed a declaratory judgment action in the United States District Court for the Central District of California seeking a declaration that respondents do not have the exclusive use of, or right to use, the term "micro colors" despite their registered, incontestable

trademark. Petitioner also requested an order canceling respondents' federal trademark registration, claiming that "micro colors" is a generic term. *Id.* at 2a.

Respondents filed a counterclaim alleging that petitioner had willfully infringed their registered trademark in violation of the Lanham Act and had engaged in unfair competition and false advertising in violation of state law. Pet. App. 4a. Respondents alleged that petitioner's use of the term "micro colors" on its products, *i.e.*, the pigment bottles, and in a stylized format in advertising was infringing their mark. *Ibid.*; J.A. 48-49.

b. Petitioner moved for summary judgment under Fed. R. Civ. P. 56 on its claim for declaratory judgment and on the counterclaim against it for infringement. It raised a long series of arguments, *see* Pet. App. 4a-5a, including that respondents could not prove a likelihood of confusion to establish infringement and that it was entitled to use the mark under the "used fairly and in good faith" provision of 15 U.S.C. § 1115(b)(4). Pet. App. 22a-23a.

Respondents opposed petitioner's motion for summary judgment on the declaratory relief request. Respondents did *not*, however, seek summary judgment on the merits of their infringement counterclaim because they recognized that factual disputes remained. C.A. Supp. E.R. 208 n.2, 303.

Respondents also opposed petitioner's request for summary judgment on its defense under Section 1115(b)(4). Again, however, respondents did *not* seek summary judgment against petitioner on that defense. C.A. Supp. E.R. 112. Respondents sought summary judgment only that (1) their registration of the "Micro Colors" mark is not limited to a composite comprising a design and word mark; (2) the term "Micro Colors" is not generic; and (3) petitioner cannot satisfy the "prior use" defense under 15 U.S.C. § 1065, because it cannot prove state law trademark rights to "micro color." Pet. App. 5a.

2. Petitioner claims in the instant suit that it used the term "microcolor" in conjunction with bottle labels for its injectable pigments and a seminar flyer before

respondents applied for trademark registration and thus can rely upon the fair use defense of Section 1115(b)(4). Pet. Br. 2, 17. Respondents submitted contrary evidence and intend to disprove the claims at trial as described below. Petitioner's claims of continuous prior use cannot be taken as true at this stage of the litigation because it is petitioner's motion for summary judgment that is before the Court. It is respondents' evidence showing that petitioner did not begin using the term "microcolor" in association with its pigments until after respondents had used and registered their trademark "Micro Colors" that must be taken as true. *See Groh v. Ramirez*, 124 S. Ct. 1284, 1293 (2004) ("Because this dispute is before us on petitioner's motion for summary judgment, '[t]he evidence of the nonmovant is to be believed, and all justifiable inferences are to be drawn in [its] favor.'") (citation omitted).[1]

a. The disputed facts include the following. Petitioner submitted a single homemade flyer using the phrase "microcolor pigments" that it claims it distributed for a seminar in 1990 and again in 1991. Pet. App. 3a-4a. Petitioner also submitted a series of form affidavits that it had customers complete stating that the term "microcolor" has been used on "every bottle of KP Permanent Make-up" they had bought and that the labels "remained virtually the same" since their first purchase (dating back to 1991 in most instances). *See, e.g.*, J.A. 117. Petitioner did not submit any direct evidence of the printing of its labels, of the appearance of its bottle labels prior to 1993, any photographs of labels in advertising, any design materials

[1] The court of appeals correctly articulated this requirement, Pet. App. 5a-6a, and appeared to apply it in its analysis. *Id.* at 11a-12a, 18a. The court's description of the factual and procedural background of the case, *id.* at 3a-5a, however, erroneously recites some contested facts in the light most favorable to petitioner. *See also* Resp. Br. in Opp. 2 (calling attention to errors in petitioner's factual assertions regarding prior use because they were disputed in lower courts). Despite the court of appeals' mistaken recital, the factual disputes remain to be resolved on remand. *See Raytheon Co. v. Hernandez*, 124 S. Ct. 513, 519 n.5, 521 (2003).

for the original labels, or any actual bottles or labels from that time period.

Respondents, however, submitted evidence of actual KP Permanent Make-Up pigment bottles sold by petitioner to four customers that did not bear the term "microcolor" on the labels. J.A. 173, 238-249. That evidence tends to impeach the customer affidavits from petitioner that "microcolor" has been on all of petitioner's bottle labels continuously for the past 13 years. Respondents also submitted an affidavit by one of respondents' owners, who has been in the permanent make-up business since 1984 and has monitored petitioner's activities, which states that petitioner did not use the phrase "micro colors" before 1999. J.A. 58-59, 62.

b. There is no dispute about petitioner's more recent use of the term "microcolor" since 1999. Petitioner started using the term at that time as "the most dominant feature" of an image prominently displayed at the top of its pigment chart in its marketing brochures. Pet. App. 4a. In that stylized format, "microcolor" "sits directly over the word 'pigment'" which is in small size type. *Ibid.*; *id.* at 20a (reproducing petitioner's use of the mark in the marketing brochure as Appendix B to court of appeals' opinion); *id.* at 41a (reprinting complete page of marketing brochure). Petitioner used the marketing brochure with prior knowledge of respondents' use and registration of the "Micro Colors" mark and in retaliation for respondents' then-recent victory against petitioner in a patent infringement action. J.A. 164, 166-167. It is that recent use on the marketing brochure, in addition to the mark's current use on petitioner's bottle labels, that respondents allege infringes their trademark.

Around the time petitioner's marketing brochure appeared, respondent MCN began receiving telephone calls from prospective customers who demonstrated confusion about the source or origin of "Micro Colors" products. The callers asked whether petitioner's and respondent MCN's "microcolor" pigments were the same.

J.A. 171. The callers also requested from respondents products offered only by petitioner. J.A. 170-171.[2]

In response to the customer confusion, respondents published a warning: "BEWARE: MICRO-COLORS® Pigment is the first and only MICRO-COLORS available by MCN. All other brands with similar or identical names are not associated with MCN. Due to the high demand for this superior quality pigment, many imposter pigments have been developed to create confusion in the marketplace. Make an informed purchasing decision: verify that MCN is the manufacturer before you buy. MICRO-COLORS is a federally registered trade name and trademark that is only available via MCN." J.A. 210. Respondents were thereby "distinguishing [the] mark from those who may have used MICRO-COLORS without authorization." Pet. App. 13a.

Although more than 20 other companies sell permanent make-up pigments or related products, no competitor of respondents other than petitioner uses the term "Micro Colors." *Id.* at 25a, 28a; J.A. 131, 133, 136-137. The term is associated with respondents' goods. Pet. App. 14a. One company in the related field of tattooing briefly used the term, but agreed to stop doing so when it learned of respondents' trademark. Pet. App. 28a; J.A. 237.

3. The district court upheld the validity of respondents' mark but ruled that the term "micro colors" standing

[2] These facts are based on the affidavit of an MCN employee filed with the district court (docket number 50), in support of respondents' opposition to petitioner's motion for summary judgment. Petitioner raised a variety of objections to the weight the affidavit should be given, but did not dispute that it was properly before the court. C.A. Supp. E.R. 245, 251, 290. The district court mistakenly stated that the affidavit "was not provided to the Court." Pet. App. 30a n.3. That statement appears to be based on the district court's misapprehension that the affidavit was submitted by "Plaintiff," *i.e.*, petitioner, when in fact it was submitted by respondents. *Ibid.* Respondents included the affidavit in the Excerpts of Record and relied on it on appeal. *See* C.A. E.R. 337-339; Resp. C.A. Br. 10-11. Petitioner did not dispute that it was properly before the court of appeals. *See* Pet. C.A. Br. 58, 62.

alone is generic, and if not generic then merely descriptive. Pet. App. 25a-26a. The court also held that the term did not have a secondary meaning, despite the incontestable status of the mark, because that status applied only to the whole composite mark and not the term in the mark. *Id.* at 27a.

The district court also held – without distinguishing between petitioner's alleged use of the term on its pigment bottles and the use of the term on the marketing brochure – that petitioner's current use is allowed under 15 U.S.C. § 1115(b)(4) as a "fair use." The court indicated that respondents had conceded that petitioner had used "microcolor" not as a trademark and only to "describe goods or services." Pet. App. 29a.[3] The district court then apparently accepted petitioner's contention that it had used "microcolor" fairly and in good faith because it had used the term "continuously since 1990 in trade shows and on their bottling labels." *Ibid.* The court did not address respondents' conflicting evidence or petitioner's more recent stylized use of the mark prominently displayed on its marketing brochure. *Ibid.*

The court then concluded that, because it already determined that petitioner "could fairly use the 'micro color' phrase due to the generic or descriptive nature of the

[3] Respondents' so-called concession was based on their motion for summary judgment argument on petitioner's prior use defense under 15 U.S.C. § 1065. Pet. App. 29a (citing J.A. 126-128). Respondents argued that, taking the facts in the light most favorable to petitioner as the non-movant on the claim, J.A. 124; C.A. Supp. E.R. 126, petitioner used the term "microcolors" on its "bottling labels" and "seminar flyers" descriptively and not as a mark prior to respondents' 1993 registration. J.A. 126, 128. In the same motion, however, respondents stressed that these arguments did not extend to petitioner's stylized use of the term in 1999 in its marketing brochure, which was created *after* respondents had registered their mark. J.A. 125. The district court never mentioned either the 1999 marketing brochures or petitioner's different stylized use of respondents' trademark, instead citing only petitioner's alleged earlier use "on bottling labels and seminar flyers." Pet. App. 29a.

phrase," it "need not discuss any demonstration of likelihood of confusion." *Id.* at 30a. For the same reason, the court found it unnecessary to discuss petitioner's "defense of prior use." *Id.* at 29a.

The court entered a judgment ruling that "[t]he words 'micro colors' are generic and incapable of obtaining protection under the laws of Trademark and Unfair Competition," that respondents do not have the exclusive use or rights to the term, and that respondents are "prohibited from interfering with [petitioner's] use of the words." J.A. 175.

4. The court of appeals reversed and remanded for further proceedings. Pet. App. 1a-19a. The court reversed on genericness and mere descriptiveness. It directed that respondents' summary adjudication be granted on the former because a "reasonably minded jury could not conclude from the evidence produced that 'micro colors' is a generic term." *Id.* at 14a. On the latter, the court found that the incontestable registration "is conclusive evidence that ["Micro Colors"] is non-descriptive or has acquired secondary meaning." *Id.* at 15a.

Finally, on the issues of fair use and likelihood of confusion, the court of appeals reasoned that "when the classic fair use defense is raised, it is still necessary to analyze likelihood of confusion." *Id.* at 17a (citation omitted). The court held that, "because in this case there can be no fair use if there is a likelihood of confusion, the likelihood of confusion analysis must be addressed." *Ibid.* The court held that genuine issues of material fact remain concerning likelihood of confusion, and remanded for further proceedings. *Id.* at 18a-19a.

SUMMARY OF ARGUMENT

The Lanham Act provides a defense to a suit alleging infringement of a federally registered trademark if the mark is being used by the alleged infringer otherwise than as a mark only to describe its goods, so long as it does so "fairly and in good faith." 15 U.S.C. § 1115(b)(4). The "used fairly" provision does not create the absolute defense claimed by petitioner that would allow it to advertise and sell its goods using respondents' incontestable trademark even where such use will harm consumers by causing actual confusion. The Act's plain language, its purposes, and its common law roots in the tort of "unfair competition" do not allow a use that is likely to confuse consumers to be deemed a fair use.

A. Petitioner's argument reads "fairly" out of Section 1115(b)(4) and collapses the phrase "used fairly and in good faith" into a single good faith requirement. But "fairly" and "in good faith" present two different requirements. Just as the "in good faith" requirement looks to whether an infringer subjectively intends to create a likelihood of confusion, the term "fairly" cannot be understood without considering whether the infringer's use objectively causes such a likelihood of confusion.

A confusing use is not fair to consumers because it prevents them from being able to make an informed choice about which goods to purchase in the marketplace. A confusing use also is not fair to the trademark owner because it allows a competitor to profit from the goodwill that the trademark owner developed though investing in its mark. To find otherwise would elevate a competitor's demand to use a trademarked term for selling his similar product over the Lanham Act's function of protecting consumers from confusion. It is especially unfair to consumers to authorize the commercial use of terms that are likely to confuse them about the source and quality of goods that could adversely affect their health, such as the injectable pigments for permanent make-up at issue in this case.

B. Petitioner's argument defeats the central and overriding purpose of the Lanham Act – to prevent consumer confusion as to the source of goods. The Act prevents such confusion by prohibiting others from copying a mark that identifies the source of certain goods. Thus, only words that serve to "identify and distinguish" a person's goods from goods made or sold by others are entitled to be

registered as trademarks. 15 U.S.C. § 1052. The court of appeals correctly determined that respondents' mark – "Micro Colors" – is properly registered and is an inherently distinctive mark, *i.e.*, it is "nondescriptive or has acquired secondary meaning." Pet. App. 15a.

None of the Act's other defenses permit the unlimited confusing uses that petitioner claims here under Section 1115(b)(4). As petitioner's *amicus* the United States explains, courts have held that proof of likelihood of confusion can overcome certain other statutory defenses in the same subsection. The same is true for the "used fairly and in good faith" defense in Section 1115(b)(4). Also, other defenses involving prior use that allow confusing uses do so only subject to geographic restrictions, again evidencing Congress's close attention and intent not to allow unrestricted confusing uses.

Congress's restriction on confusing uses of federally registered trademarks, including the "used fairly and in good faith" requirement, does not create free speech or anti-competitive problems as petitioner claims. The First Amendment does not bar Congress's prohibition on uses of marks that are likely to confuse consumers. The Lanham Act expressly exempts antitrust violations from trademark protection and also reinforces federal enforcement authority. Moreover, the overall statutory scheme makes clear that it does not remove words or terms from common usage. Only commercial uses of a registered trademark can give rise to liability for infringement and the mark must be in active use to distinguish goods in order to maintain its registration. Petitioner failed to avail itself of the comprehensive administrative procedures for challenging the registration of respondents' trademark. It should not be permitted to expand the Section 1115(b)(4) defense to address concerns that Congress intended to be addressed in those administrative examination and cancellation processes.

C. The term "used fairly" was enacted as part of the Lanham Act in 1946 and must be read against the background of the then-existing common law relating to the

tort of "unfair competition." By the time of enactment, this Court had held that it was "unfair" under the common law for a competitor to use a descriptive term that had acquired secondary meaning for another party's goods in a manner that was likely to confuse. *See, e.g., Herring-Hall-Marvin Safe Co. v. Hall's Safe Co.*, 208 U.S. 554 (1908); *Baglin v. Cusenier Co.*, 221 U.S. 580 (1911). The Lanham Act also was intended to comply with then-existing treaty obligations to prohibit and redress unfair competition. There is no evidence Congress intended to codify an exception for unlimited confusing uses.

D. Petitioner relies heavily on a claim that consideration of likelihood of confusion in Section 1115(b)(4)'s "used fairly and in good faith" defense would impermissibly overlap with the mark owner's burden under Section 1114 to show likelihood of confusion to establish infringement. As originally enacted in 1946, however, Section 1115(b)(4) did not apply to Section 1114 infringement actions. Section 1115(b)(4) was a defense only for incontestable marks – where a conclusive presumption eliminated the need for the mark owner to show likelihood of confusion.

Congress did not intend for its 1988 amendment of Section 1115 to allow unfettered confusing uses under Section 1115(b)(4). Congress amended Section 1115 to make incontestable marks subject to infringement in the same manner as other marks under Section 1114, and also to make the Section 1115(b) defenses applicable to infringement actions under Section 1114. Congress made only technical amendments to Section 1115(b)(4) and gave no indication of an intent to expand the meaning of that defense. The unintended consequence of the amendments is that Section 1115(b)(4) serves to emphasize that a court must not allow uses that unfairly confuse consumers. Such defenses that substantially mirror a plaintiff's burden to establish liability, are not uncommon, particularly in a statute that has been the subject of significant amendments over the course of almost 60 years.

Assessing likelihood of confusion under Section 1115(b)(4) does not impose a significant limit on disposition

of claims through summary judgment. The objective inquiry is no less conducive to summary judgment proceedings than the determination of the subjective "good faith" component of the Section 1115(b)(4) defense.

Even if the Court were to reject the view that a finding of likelihood of confusion should preclude a defense that the mark is being "used fairly," the Court should affirm the court of appeals and recognize, as several of petitioner's own *amici* urge, that "used fairly" must be given a meaning that includes some consideration of likelihood of confusion.

ARGUMENT

PETITIONER IS NOT ENTITLED TO USE RESPONDENTS' REGISTERED TRADEMARK IN CONNECTION WITH THE SALE OF ITS GOODS, IF PETITIONER'S USE CREATES A LIKELIHOOD OF CONFUSION SUCH THAT THE MARK IS NOT BEING "USED FAIRLY" WITHIN THE MEANING OF 15 U.S.C. § 1115(b)(4)

Petitioner claims (Pet. Br. i) that it is entitled to an "absolute defense" under 15 U.S.C. § 1115(b)(4) that allows it to use respondents' incontestable, federally registered trademark to sell and advertise petitioner's goods even where, as in this case, there is evidence that such use causes actual confusion among consumers. *See* pages 5-6, *supra*.[4] Petitioner's argument ignores the "used fairly" language of Section 1115(b)(4). Properly interpreted according to its plain language and statutory purpose, the "used fairly" defense cannot be allowed to authorize confusing uses that harm consumers.

[4] In addition to evidence of actual confusion, the court of appeals correctly found that there were disputes of material fact regarding whether petitioner's use was likely to cause consumer confusion. Pet. App. 18a-19a (listing factors relied upon to assess likelihood of confusion).

A. The Plain Text Of Section 1115(b)(4) Requires That A Mark Be "Used Fairly," Which Prohibits Uses That Are Likely To Confuse Consumers

1. Petitioner reads "used fairly" out of Section 1115(b)(4)

Petitioner's insistence that it is entitled to use respondents' mark notwithstanding confusion is based on its transformation of the "used fairly and in good faith" element in 15 U.S.C. § 1115(b)(4) into a truncated "good faith" determination.

Sections 1114 and 1115 of Title 15 of the United States Code, originally enacted as Sections 32 and 33 of the Trademark Act of 1946 (Lanham Act), ch. 540, 60 Stat. 427, 437-439 (1946), address infringement claims and defenses to such claims. Section 1115(b) concerns trademarks, such as respondents', that are incontestable. As currently codified, Section 1115(b) provides that an incontestable mark owner's conclusive evidence of a right to use the registered mark is "subject to proof of infringement" under Section 1114 and shall be subject to certain listed "defenses or defects," including:

> That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin.

15 U.S.C. § 1115(b)(4).

Petitioner contends (Pet. Br. 9) that the Section 1115(b)(4) defense requires proof of "three elements": (1) "that the proponent of the defense not use the disputed term as a mark;" (2) that the term is being used "only to describe goods or services;" and (3) that "use of the term is done 'fairly and in good faith.'" Pet. Br. 9. Petitioner's discussion of the third element, "fairly and in good faith,"

however, addresses only one-half of that requirement – "good faith." *Id.* at 13-16.

Petitioner literally reads "fairly" out of the defense by collapsing the phrase "used fairly and in good faith" into a single good faith requirement. Petitioner concludes its brief with a statement of its "fair use" defense that omits the term "fair" altogether. *Id.* at 36. Petitioner's sleight of hand is contrary to the fundamental requirement of statutory construction that each of the words in a statute be given "a particular, nonsuperfluous meaning." *Bailey v. United States*, 516 U.S. 137, 146 (1995).

"Fairly" and "in good faith" present two different types of requirements. "Fairly" is an objective requirement and "good faith" goes to the subjective intent of the alleged infringer. *See* Pet. Br. 16; U.S. Br. 14. This dual requirement to avoid liability harkens to the common law rules governing unfair competition. *See* pages 31-37, *infra*. Indeed, petitioner's own insistence that its "good faith" use be measured by whether it has an "intent to create an actual likelihood of confusion," Pet. Br. 15, suggests, if not demands, that "fairly" also should be measured by reference to "likelihood of confusion."

2. Whether a mark is "used fairly" requires consideration of likelihood of confusion, as several of petitioner's own *amici* recognize

a. In the context of the Lanham Act, the phrase "used fairly" cannot be understood without considering evidence of likelihood of confusion. This result is demanded by the purposes of the Act and the statute's common law roots in the tort of "unfair competition," which deemed conduct by competitors that was likely to confuse consumers to be "unfair." *See* pages 31-37, *infra*. Neither petitioner nor its *amici* offer any other referent by which to judge whether a non-mark owner's conduct is being used "fairly."

Two of petitioner's *amici* explicitly acknowledge that the extent a use is likely to confuse consumers will be an important, if not dispositive, consideration in determining

whether a use is fair. Thus, although purporting to agree with petitioner, they actually reject petitioner's "absolute defense" (Pet. Br. i) approach. The American Intellectual Property Law Association (AIPLA) urges reversal but specifically emphasizes that the Court "should avoid establishing any * * * absolute rule against considering likelihood of confusion" under the Section 1115(b)(4) defense. *Amicus* Br. of AIPLA 2. Similarly, the International Trademark Association (INTA) explains that certain types of evidence are relevant to both the Section 1115(b)(4) inquiry and the likely confusion issue. *Amicus* Br. of INTA 5. It "urges the Court not to adopt a reading of section [1115(b)(4)] that would eliminate consideration of evidence relevant to likelihood of confusion if that evidence is also germane to the fair use defense." *Ibid.* Indeed, INTA explains that a court "should consider instances of actual confusion generated by the defendant's use in its analysis, just as other evidence bearing on the issue of likely confusion may also be probative of whether a challenged use is fair." *Id.* at 18-19.

The *Restatement (Third) of Unfair Competition* (1993) urges a similar approach. In its view, "the strength of the plaintiff's mark and the extent of likely or actual confusion are important factors in determining whether a use is fair" and "a use that is likely to create substantial confusion will not ordinarily be considered a fair use." *Id.* § 28 cmt. b. The treatise cited by the United States (U.S. Br. 20 n.22) reaches the same conclusion and advises that "[w]hether use of a term or phrase is likely to cause confusion with plaintiff's products may * * * be relevant to determining if the defendant is, in fact, making fair use of the plaintiff's mark." 3 Jerome Gilson *et al.*, *Trademark Protection and Practice* § 11.08[3][d][i][D] (2004).

Even the United States cannot avoid the relevance of such evidence. The United States insists that "fair" is determined through a "factual analysis" of the "physical manner and context" of each use. U.S. Br. 14 n.14. But the United States never explains why the physical manner and context of the use of the mark would be relevant except to determine whether the use is likely to confuse

consumers. A term is not used fairly or accurately if the physical manner and context are likely to convey the message that petitioner's product is actually respondents'.

b. If a competitor's use of a mark is likely to confuse consumers, the mark is not being "used fairly" within the meaning of Section 1115(b)(4), because it treats consumers and the trademark owner unfairly.

A confusing use is not fair to consumers because it prevents them from being able to make an informed choice about which goods to purchase in the marketplace. Consumers who unintentionally purchase a competitor's goods are almost always inconvenienced or disappointed because they did not receive what they intended.

A confusing use is not fair to the trademark owner because it allows a competitor to profit from the goodwill that the trademark owner developed though investing in its mark. The competitor gains that benefit without any comparable investment or any compensation to the owner for the benefit.[5]

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[5] The United States notes at one point (U.S. Br. 25) that Congress was concerned with "the public viewpoint" in addition to the trademark owner's viewpoint, but then points only to the interests of commercial competitors. Yet the public benefits only when it is treated fairly and not confused by business practices.

The United States also contends (U.S. Br. 15-16 n.16) that interpreting the "fair use" defense to allow confusing uses "conforms" with the country's obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Apr. 15, 1994, Annex 1C, Art. 17, 33 I.L.M. 1197, 1204 (1994). TRIPS allows signatories to permit "fair use of descriptive terms" only if they "take account of the legitimate interests of the owner of the trademark and of third parties." Interpreting "used fairly" in Section 1115(b)(4), as respondents do, to allow only uses that are not likely to confuse, is more faithful to TRIPS because it takes into account both the "legitimate interests of the owner of the trademark" in obtaining the full measure of goodwill that it has developed through its investment, as well as the "legitimate interests" of "third parties" such as consumers in avoiding confusion. Moreover, the United States' proposed interpretation of Section 1115(b)(4) does not conform with the country's extant international obligations at the time it was enacted by Congress. *See* pages 39-40, *infra*.

Thus, an alleged infringer's "use should be deemed 'fair' only if it is non-confusing. In many cases, the two defenses of fair use and lack of likelihood of confusion will blend together." 2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 11:47 (4th ed. 2004). To find otherwise would elevate a competitor's demand to use a trademarked term for selling his similar product over the Act's function of protecting consumers from confusion.

3. Under any test of fairness, a likelihood of confusion that could adversely affect consumer health must be a relevant consideration

It is especially unfair to consumers and inconsistent with the purposes of the Lanham Act to authorize the commercial use of terms that are likely to confuse consumers about the source and quality of goods that could adversely affect their health. Avoidance of confusion is particularly important where a difference in the quality of the goods sold can raise serious health concerns because the goods are injected into the body. *Cf. Morgenstern Chem. Co. v. G.D. Searle & Co.*, 253 F.2d 390, 393-394 (3d Cir.) (trademark law plays special role in protecting consumers from confusing drugs and medicinal preparations), *cert. denied*, 358 U.S. 816 (1958); *Syntex Labs., Inc. v. Norwich Pharmacal Co.*, 437 F.2d 566, 569 (2d Cir. 1971) (same).

The permanent make-up process involves "an invasive procedure that permanently alters the human skin." Charles S. Zwerling, MD, *et al.*, *Micropigmentation: State of the Art* 211 (2d ed. 1993). In that process, a liquid pigment is injected into the skin through one of a variety of means, usually through an electronic handheld tool. *Id.* at 19, 133.

If a pigment contains ingredients not appropriate for such internal bodily use, or has been contaminated through packaging or storage, or has not been sterilized or not tested, there is a possibility that the process could

cause adverse health consequences. Indeed, the Food and Drug Administration (FDA) recently issued a warning to consumers about the products of a different permanent make-up competitor that were reported to the FDA to be causing adverse effects, including "serious disfigurement, resulting in difficulty in eating and talking." *FDA Alerts Consumers About Adverse Events Associated With "Permanent Makeup,"* (July 2, 2004), *available at* www.fda.gov/bbs/topics/answers/2004/ANS01295.html.[6] The risk of consumer injury is particularly poignant in many cases because the permanent make-up procedure often is used with clients who previously suffered disfigurement or disease, and often is applied to the most prominent features of a person's face. J.A. 130-131.

Respondents' injectable pigments, sold under their incontestable, registered trademark "Micro Colors," meet the highest quality standards in the industry and are marketed as such. *See* J.A. 233 (advertising that pigments are "Gamma sterilized; Lot & date coded to assure quality and freshness; Widely used in medical and cosmetic industry; * * * Ingredient list on label; Made with FDA approved ingredients for cosmetic use"). Their inorganic pigments are created with an Iron-Oxide base "to reduce the probability of allergic reaction." J.A. 231. Respondents subject their pigments to several inspections for "strict quality control for * * * safety and protection" and send them through a "three-point sterilization process" to ensure "the highest standard of sterilization offered in today's market." J.A. 209.

By contrast, petitioner does not sterilize its pigments and its bottles do not include lot or date code information. J.A. 174, 238-249.

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[6] The manufacturer in that instance voluntarily recalled its pigments, but a recall is effective only so long as the consumers who currently have the product in stock or in use are not confused about the identity of the goods or the manufacturer or marketer. Consumer confusion undermines a recall because consumers may not be clear on which products to pull from their inventory.

Because respondents' "Micro Colors" products are known for their high quality, consumers willingly pay a higher price for their goods. Respondents' reputation for a higher quality product no doubt presents an attractive opportunity to competitors who would like to free-ride on respondents' good will. Trademark law was intended to prevent just such misappropriations. *See Qualitex Co. v. Jacobson Prods. Co., Inc.*, 514 U.S. 159, 164 (1995) (trademark law "'encourage[s] the production of quality products,' and simultaneously discourages those who hope to sell inferior products by capitalizing on a consumer's inability quickly to evaluate the quality of an item offered for sale") (citation omitted).

Confusing use by a competitor, such as petitioner, who does not meet the same standards of testing and quality ingredients as respondents creates a risk for consumers. As petitioner concedes (Pet. Br. 21 n.10), consumer concerns about quality extends to the health of a consumer's clients, as well as the consequent risk to their business's own good will. Customers who buy "Micro Colors" pigments because they want injectable pigments that have been sterilized and tested by respondents must accurately understand that that is what they are buying, without being confused with other pigments produced by another company about which they do not have such assurances.

B. Petitioner's Absolute Defense Is Contrary To The Purposes And Structure Of The Lanham Act

1. Petitioner's absolute defense defeats the Act's core purpose to prohibit consumer confusion

a. Petitioner's argument defeats the central and overriding purpose of the Lanham Act – to prevent consumer confusion as to the source of goods. The statute declares that the "intent of this Act is to regulate commerce * * * by making actionable the deceptive and misleading use of marks in such commerce; * * * to protect persons engaged in such commerce against unfair competition; [and] to prevent fraud and deception in such commerce by

the use of reproductions, copies, counterfeits, or colorable imitations of registered marks." 15 U.S.C. § 1127.

Trademark law achieves these goals "by preventing others from copying a source-identifying mark." *Qualitex*, 514 U.S. at 163. That prohibition "'reduc[es] the customer's costs of shopping and making purchasing decisions,' for it quickly and easily assures a potential customer that *this* item – the item with this mark – is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past." *Id.* at 163-164 (quoting 1 J. McCarthy, *McCarthy on Trademarks and Unfair Competition* § 2:01[2] (3d ed. 1994)). The Act's grant to a trademark owner of the "exclusive control" of a trademark in the commercial arena also benefits the public because it "ensure[s] that the [mark owner] receives the benefit of its own efforts so that [it] will have an incentive to continue to produce a 'quality product.'" *San Francisco Arts & Athletics, Inc. v. United States Olympic Comm.*, 483 U.S. 522, 537 (1987) (citing 1 J. McCarthy, *Trademarks and Unfair Competition* § 2:1 (2d ed. 1984)).

Consequently, the statute allows registration of a term or word only if it is used by a person to "identify and distinguish" his or her goods from goods made or sold by others. 15 U.S.C. §§ 1127, 1052. Courts have drawn from the common law three categories of words and terms that are "inherently distinctive" of an individual's goods and registerable by the PTO as trademarks: fanciful terms (*e.g.*, a term such as "Kodak" that did not exist in the language before use as a trademark), arbitrary terms (*e.g.*, a term such as "Apple" used in association with goods such as computers or a record label, where the term was not otherwise associated with the particular goods before the use of the trademark), and suggestive terms (*e.g.*, a term such as "Chicken of the Sea" used in association with tuna that suggests the nature or source of the goods without describing them). *See Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992).

By contrast, the statute does not allow registration of generic terms, *i.e.*, words that simply "identify the product,

rather than the product's source," Pet. App. 7a, *e.g.*, the term "bundt" used as the name of a cake mix. *See San Francisco Arts & Athletics*, 483 U.S. at 531 n.7 (citing 1 J. McCarthy, *Trademarks and Unfair Competition* § 12:1 (2d ed. 1984)).

And the statute does not allow registration of merely descriptive terms, 15 U.S.C. § 1052(e)(1), because, like generic words, they do not distinguish a particular merchant's goods. A descriptive term is registrable only if it has acquired distinctiveness through use (*i.e.*, secondary meaning) and thus distinguishes the goods of the registration applicant from those of another in the minds of consumers. *Id.* § 1052(f); *see Two Pesos*, 505 U.S. at 769.[7]

b. Petitioner disregards this overall statutory purpose, however, by focusing solely on descriptive terms and suggests (Pet. Br. 14) that confusing uses of descriptive marks must be allowed even if those descriptive terms have achieved secondary meaning in the minds of consumers.

That argument is irrelevant, however, under petitioner's own interpretation of the Section 1115(b)(4) defense, which would apply the defense to *all* trademarks, including those that are non-descriptive and are, instead, inherently distinctive, *e.g.*, suggestive, arbitrary, and fanciful marks. Pet. Br. 12-13; *see also* U.S. Br. 21 n.23. The purported "risk" taken by owners of descriptive marks would not justify confusing use of inherently distinctive marks. Similarly, petitioner's repeated insistence that the Court must adopt its absolute view and allow confusing uses in order to ensure that descriptive marks remain available has no relevance to confusing uses of inherently distinctive marks. In any event, it would be contrary to the

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[7] Trademark registration also is not allowed for "functional" matter, 15 U.S.C. §§ 1052(e)(5), 1115(b)(8), which is matter that is "essential to the use or purpose of the article" or that "affects the cost or quality of the article" because that is for patent law to protect. *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 32 (2001).

text and purposes of the Act to allow a competitor to confuse consumers simply because a mark owner has exercised its statutory right to register a mark composed of a descriptive term that has acquired secondary meaning. *See also* pages 23-24, *infra* (courts will not allow consumer confusion to continue despite mark owners inequitable conduct).[8]

[8] If, by contrast, petitioner is wrong (as contended in the Brief in Opposition at 4-5) and only marks composed of descriptive words are subject to the fair use defense, then the Ninth Circuit properly reversed the entry of summary judgment in favor of petitioner on its fair use defense because "Micro Colors" is not a descriptive term. The court of appeals expressly ruled that respondents' "incontestable registration is conclusive evidence that the mark *is non-descriptive or has acquired secondary meaning*." Pet. App. 15a (emphasis added). Petitioner did not seek further review of that ruling.

Respondents' mark is inherently distinctive, constituting either a suggestive or fanciful mark. "Micro Colors" is not an ordinary English word because there is not a primary meaning for the word. Petitioner has not identified a single dictionary in which the term "microcolor" is found. "Micro" is a quantifier of size that would not, in ordinary usage, modify "color" which is something that is not susceptible to measurement by size. Nor is the term used generally by the industry to describe pigments. Pet. App. 14a; J.A. 142. "Micro Colors" does not describe the goods at issue. The term is suggestive of the liquid pigments because it requires imagination to bring to mind the ultimate "micro" or small design that will result in color on a person's body if the pigment is injected through the permanent make-up process, or to bring to mind the application of the pigment through use of a microscope.

The fact that the PTO registered respondents' mark without demanding proof of secondary meaning demonstrates that the expert administrative agency concluded that the term is inherently distinctive and not descriptive. *See GTE Corp. v. Williams*, 904 F.2d 536, 538 (10th Cir.) ("most courts that have considered the issue do hold that the Patent and Trademark Office's decision to register a mark without requiring proof of secondary meaning creates a rebuttable presumption that the mark is suggestive, arbitrary, or fanciful rather than merely descriptive."), *cert. denied*, 498 U.S. 998 (1990).

2. None of the Act's other defenses or limitations permit the unlimited confusing uses that petitioner claims here

There are nine "defenses or defects" listed under Section 1115(b). Subsections (1), (2), and (8) set forth defects in the manner that the trademark owner acquired, registered, or holds the mark. Under these provisions, if the mark is obtained fraudulently, is abandoned, or is functional, 15 U.S.C. § 1115(b)(1), (2), (8), a question regarding likelihood of confusion does not arise in an infringement action under Section 1114 because there is no registered mark to be infringed.

Subsections (3), (7), and (9) are defenses that focus on the mark owner's illegal or inequitable conduct (owner using mark to misrepresent the source of goods or to violate federal antitrust laws; or laches, estoppel or acquiescence applicable against owner). Those defenses, the first two of which are rarely invoked, excuse infringement and eliminate the infringer's liability.

Significantly, likelihood of confusion can "trump[]" subsection (9) defenses. *See, e.g., Resorts of Pinehurst, Inc. v. Pinehurst Nat'l Corp.*, 148 F.3d 417, 423 (4th Cir.), *cert. dismissed*, 525 U.S. 1051 (1998) ("strong proof" of likelihood of confusion trumped subsection (9) defenses of laches and acquiescence). Indeed, the United States acknowledges that these defenses do not permit competitors to engage in uses that will likely confuse consumers, noting with approval that "a number of courts have allowed plaintiffs to respond to invocations of * * * equitable defenses (Section 1115(b)(9)) with evidence of consumer confusion." U.S. Br. 23 n.24. The United States does not reconcile its approval of those cases with its view that a showing of likelihood of confusion cannot overcome the Section 1115(b)(4) defense.

Similarly, a finding of "unclean hands" on the part of the mark owner, the common law equivalent of subsections (3) and (7), *see* 5 McCarthy, *supra*, §§ 31:56, 31:91, will not mandate that a court allow an infringer's confusing use.

See Bell v. Streetwise Records, Ltd., 761 F.2d 67, 76 (1st Cir. 1985) (Breyer, J., and Coffin, J., concurring) ("[W]e do not view the 'unclean hands' doctrine as sufficient, on the facts of this case, to justify continuation of public confusion."); *Republic Molding Corp. v. B.W. Photo Utils.*, 319 F.2d 347, 350 (9th Cir. 1963) ("the court should not automatically condone the defendant's infractions because the plaintiff is also blameworthy, thereby leaving two wrongs unremedied and increasing the injury to the public").

Finally, subsections (5) and (6) are defenses akin to subsection (4). Like the "used fairly" defense in subsection (4), subsections (5) and (6) grant narrow exceptions from liability based on certain conduct of the alleged infringer. Under subsection (5), an alleged infringer is allowed to continue its use if it can show that it adopted the mark without knowledge of and prior to when the registrant filed its application with the PTO and has used it continuously since that time. 15 U.S.C. § 1115(b)(5). Under subsection (6), an alleged infringer is allowed to continue its use if it can show that it registered and used the mark prior to when the registrant registered its mark and has not abandoned it. *Id.* § 1115(b)(6). In both instances, the allowed use is restricted, however, to the geographic "area" in which such prior use is shown.

Petitioner reads subsection (4) so broadly, however, that petitioner and others can claim "fair use" merely based on prior use and then use the mark without the geographic restriction intended under subsections (5) and (6), so long as they meet the other subsection (4) requirements, regardless of whether it confuses consumers.[9]

[9] In this case, for example, petitioner claims that its use of the term "microcolor" in connection with its goods is a "fair" use because, according to petitioner, it has continuously used the term on its products before respondents did. Pet. Br. 20. One of its *amici* likewise relies on this factual claim to explain their support of petitioner. *See* AIPLA Br. 17. As noted above, that claim cannot be accepted as true given the procedural posture of this case and the fact that respondents have submitted evidence of petitioner's old pigment bottles with labels

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Thus, under petitioner's view, an alleged infringer has little reason to rely on the "prior use" exceptions in subsections (b)(5) and (b)(6).[10]

3. The Act does not place a significant restriction on speech or competition that requires petitioner's atextual reading of "used fairly"

Petitioner appears to argue that its proposed truncated "good faith" defense is necessary to preclude significant restrictions on speech. Pet. Br. 6-7, 35-36. Similarly, the United States attempts to support its reading of Section 1115(b)(4) by invoking concerns about anti-competitive effects of trademark protections. U.S. Br. 23-24.

These concerns are misplaced. In enacting the Lanham Act, Congress crafted a statutory framework and administrative scheme to encourage truthful commercial speech and fair competition while avoiding conduct that is likely to cause consumer confusion. There is nothing in the provision allowing a term to be "used fairly" that upsets that balance.

a. Federal trademark law does not impinge on the First Amendment. There is no First Amendment bar to Congress prohibiting a trademark owner's competitors from using its mark in connection with the sale or advertising of

that do not contain the term "microcolor," as well as an affidavit attesting that petitioner did not use the term before 1999. *See* page 5, *supra*.

[10] Petitioner originally contended that it was using the term as a mark and had obtained common law trademark rights to the term, which would have barred respondents' claim to incontestability under 15 U.S.C. § 1065, at the same time it contended that it was using the term otherwise than as a mark under 15 U.S.C. § 1115(b)(4). *See* C.A. Supp. E.R. 21-24, 31-33. In light of the tension between these arguments, petitioner presented them in the alternative in the district court, *see* C.A. Supp. E.R. 164, and did not raise the former claim in the court of appeals.

products where there is a likelihood of confusion. To the contrary, this Court has held that a statute that goes much further than Section 1114 and absolutely prohibits, without regard to likelihood of confusion and without a fair use defense, the commercial use of the mark "Olympic" by persons other than its owner does not violate the First Amendment. *See San Francisco Arts & Athletics*, 483 U.S. at 530 n.5, 531, 540-541 (upholding Section 110 of the Amateur Sports Act). The Court reasoned that the First Amendment does not prohibit Congress from granting a party "exclusive control of uses of" a word in the commercial arena, because "when a word acquires value 'as the result of organization and the expenditure of labor, skill, and money' by an entity, that entity constitutionally may obtain a limited property right in the word." *Id.* at 532. The same rationale applies to Section 1114 which prohibits only commercial speech that is shown likely to confuse or deceive consumers. *See id.* at 535 n.12.

b. The Act exempts antitrust violations from trademark protection and reinforces federal enforcement authority. Congress directly addressed anti-competitive commercial concerns by creating a specific defense against infringement actions if a trademark owner has used, or is using, a mark "to violate the antitrust laws of the United States." 15 U.S.C. § 1115(b)(7). This defense is seldom invoked because trademarks are rarely tools for violation of the antitrust laws, *see* 5 McCarthy, *supra*, § 31:91, but it remains available. The United States fails to explain why that explicit provision is not adequate to address whatever anti-competitive concerns underlie its position.

Moreover, Congress enacted another express provision to make clear that the Federal Trade Commission (FTC) and the Department of Justice's authority under the antitrust laws would not be modified or restricted by the Act. *See* Lanham Act § 46(a), 60 Stat. at 445 (reprinted at 15 U.S.C. § 1051 note). The Act also ensures a role for the

FTC in overseeing the registration of marks to protect consumer interests. The Act explicitly authorizes the FTC to apply to cancel any mark if the mark, *inter alia*, is generic or functional, has been abandoned, was obtained fraudulently, or is being used by the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used. *See* 15 U.S.C. § 1064. Nonetheless, the United States seeks to make it easier for competitors to create greater levels of consumer confusion through an expanded fair use defense, and does so without any indication of the views of the FTC on the matter.

c. The statutory trademark scheme does not remove words or terms from common usage. As explained above, pages 20-21, *supra*, generic and merely descriptive terms cannot be registered as trademarks. Moreover, genericness can always be raised as a ground to cancel a mark or to challenge the validity of even an incontestable mark. *See* 15 U.S.C. §§ 1064(3), 1065(4).

Thus, Congress made clear that any word – even a fanciful word created by the owner – that is registered as a mark but later becomes generic would lose its registration. *See ibid.* This eliminates the concern that such a word will be perpetually monopolized by the original creator even after it loses its distinctiveness in the public mind. Indeed, a number of fanciful words that were invented to distinguish a particular product have entered into the common lexicon to describe the genus of goods, including aspirin, cellophane, escalator, thermos, and yo-yo. *See* 2 McCarthy, *supra*, § 12:18.

Furthermore, federal law does not remove from common usage the words or terms in registered trademarks. Only commercial uses of a registered trademark can give rise to liability for infringement. *See* 15 U.S.C. § 1114(1)(a). And the trademark owner is accorded exclusive rights to use its mark only in the context of commerce, and only with respect to the goods that the owner specified

in its application (or subsequent amendment or renewal). *See id.* § 1115(a), (b).[11] And liability attaches only if the use of the mark by another is likely to cause confusion. *See id.* § 1114(1).

Congress also established a series of requirements to ensure that only trademarks that are in active use can maintain registration. In order to qualify for registration, the mark must normally already be "used in commerce." 15 U.S.C. § 1051(a)(1); *see also id.* § 1051(b)(1) & (d). After the mark has been on the Principal Register for the initial five years, the mark owner must again prove that the mark is being actually used on goods in commerce by showing current use of the mark – if the owner does not, the mark must be cancelled. *Id.* § 1058(a)(1), (b). And the owner must again show its continuing active use of the mark in commerce every ten years to renew its registry of a mark, or the mark must be cancelled. *Id.* § 1058(a)(3).

Congress expressly ensured that persons could not horde unused marks, requiring in each of the above situations that the mark's use be a "bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark." *Id.* § 1127. Moreover, if a mark is not used for three consecutive years, that is "prima facie evidence of abandonment." *Id.* § 1127. Abandonment can always be raised as a ground to cancel a mark or to challenge the ownership of even an incontestable mark. *Id.* §§ 1064(3), 1115(b)(2).

d. The administrative examination procedure, not the fair use defense, best prevents invalid registrations. Petitioner's argument is rooted in its view that the PTO erred in granting registration to respondents' "Micro Colors" trademark. Pet. Br. 6 (raising concern of

[11] For example, the PTO's registration of respondents' "Micro Colors" trademark attached a copy of the mark and information from the application that specifies that the mark is registered only "for color pigments, in class 2," J.A. 211, a class that includes "[p]aints, * * * ; colorants; mordants; [and] raw natural resins," 37 C.F.R. § 6.1.

clearly descriptive marks that "inadvertently escaped the attention of the trademark examining attorney"); *id.* at 34 (invoking need to protect against "obviously descriptive" or generic term "mistakenly granted" registration). But respondents have complied with every aspect of the law and the PTO's rules and met all of the applicable requirements for registration and obtaining incontestable status.

The United States, as *amicus*, likewise completely ignores the Act's comprehensive administrative scheme, notwithstanding the presence of the PTO on its brief. The United States thus appears to agree with petitioner's suggestion that the PTO should be presumed to regularly make mistakes. There is no basis for such an assumption. *See National Archives and Records Admin. v. Favish*, 124 S. Ct. 1570, 1582 (2004) ("there is a presumption of legitimacy accorded to the Government's official conduct" and "where the presumption is applicable, clear evidence is usually required to displace it").

To the contrary, Congress provided for a comprehensive administrative scheme to screen out marks ineligible for registrations. An examiner at the PTO engages in a "complete examination" of a registration application, which "includes a search for conflicting marks and an examination of the written application, the drawing and any specimen(s), to determine whether the mark is eligible for the type of registration requested." U.S. Patent and Trademark Office, *Trademark Manual of Examining Procedure* (*TMEP*) § 704.01 (3d ed. 2003); *see also id.* §§ 1207.01, 1209.03, 1211.02(b) (describing databases searched to ensure that there is no confusing similarity with earlier marks, and that term is not merely descriptive nor primarily merely a surname). The examiner may require additional information as may be reasonably necessary to the proper examination of the application. 37 C.F.R. § 2.61(b).

Persons objecting to the registration may file a letter of protest while the application is before the examiner, and may formally oppose the application after the PTO has published the mark in the *Official Gazette* for public notice

and comment. *See* 15 U.S.C. § 1067(a); *TMEP*, *supra*, § 1715.01(a). A person seeking to challenge the registration has five more years after registration during which it can file for cancellation of the mark on any of the myriad statutory grounds. *See* 15 U.S.C. § 1064(1).

For example, if petitioner had, in fact, been using the term "Micro Colors" to distinguish and identify its goods in the market before respondents applied to register the mark, petitioner could have protested to prevent the registration and, if registration were nonetheless granted, petitioned to cancel respondents' mark on the ground that it was so similar to its pre-existing mark that it was likely to cause confusion. *See* 15 U.S.C. § 1064(1) (cancellation); *id.* § 1052(d) (non-registrability grounds). The fact that petitioner had failed to register the trademark would not have prevented such an effort. *See id.* § 1052(d); 3 McCarthy, *supra*, § 20:14.

Even after its sixth year of registry, a person can still seek to cancel a registration on a number of grounds, including genericness. *See id.* § 1064(3); *Park 'n Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 195 (1985). Moreover, even after a mark has become incontestable, as has respondents', a person can still argue that it had owned the mark before it had been registered and thus the mark was not incontestable. *See* 15 U.S.C. § 1065.

If petitioner had pursued any of these administrative avenues of relief, the case would have been subject to an *inter partes* proceeding, heard by an expert administrative body where the parties would have been allowed full discovery and an opportunity for argument. *See* 15 U.S.C. § 1067(a); 37 C.F.R. §§ 2.120, 2.129. And any aggrieved person would have had access to judicial review of the PTO's ultimate decision. *See* 15 U.S.C. § 1071.

Petitioner's failure to invoke these processes suggests that it knew it could not have prevailed before the PTO.[12] The arguments that petitioner raises in this case are precisely what the examination procedure is designed to address. It should not be allowed now to obtain an expansion of the "used fairly" defense beyond what Congress intended.

C. Interpreting Section 1115(b)(4) To Require Consideration Of Likelihood Of Confusion Is Consistent With The Common Law And International Obligations At The Time Of The Act's Enactment

1. The common law of "unfair competition" prohibited confusing uses of even descriptive words with secondary meaning

a. The term "used fairly," first enacted as part of the Lanham Act in 1946, must be read against the background of the then-existing common law relating to the tort of "unfair competition." It is that meaning that Congress would have intended to reference in the statute. *See* 15 U.S.C. § 1127 (Act's intent "to protect persons engaged in [interstate] commerce against unfair competition").

Before enactment of the Lanham Act, the courts had divided into two categories the types of words and symbols that distinctly identify the source of goods – "technical trademarks" and "trade names." *Restatement (First) of Torts* § 715 cmt. c (1937); 1 McCarthy, *supra*, § 4:4. Inherently distinctive terms (what are now known as arbitrary, fanciful, and suggestive terms) were generally treated as

[12] Petitioner was on actual notice of respondents' efforts to register its trademark due to respondents' use of the relevant symbols on its mark both while the application was pending (™) and after (®), J.A. 133, 232-236, as well as the PTO's public notice process, including through the Internet, *see* 37 C.F.R. § 2.27; 3 McCarthy, *supra*, § 19:7. In any event, the Act provides that registration of the mark constitutes constructive notice. *See* 15 U.S.C. § 1072.

"trademarks." *Id.* §§ 715 cmt. c, 721 cmt. a. Whereas words that were descriptive of a good, but had acquired a secondary meaning distinctively identifying a particular source of the goods, were generally treated as "trade names." *Id.* § 716. Similarly, a person's name or the geographical source of goods, was treated as a "trade name" if it had acquired such a distinctive meaning. *Ibid.* & cmt. a. Common law "trade names" were protected by the tort of unfair competition, rather than trademark infringement. *See Restatement*, *supra*, § 716 & cmt. a; 1 McCarthy, *supra*, §§ 4:2-4:5.[13]

b. The common law of unfair competition rejected claims that a competitor should be allowed to use trade names regardless of whether the use was likely to cause consumer confusion. For example, in *American Waltham Watch Co. v. United States Watch Co.*, 53 N.E. 141 (Mass. 1899), Justice Holmes, then sitting on the Massachusetts Supreme Judicial Court, addressed whether it was "unfair competition" for a manufacturer to state on its watches that they were manufactured in Waltham because, by that time, the term "Waltham Watches" had become distinctive of a competing manufacturer's watches. Justice Holmes explained that, "although the plaintiff has no copyright on the dictionary or any part of it, he can exclude a defendant from a part of the free field of the English language, even from the mere use of generic words unqualified and unexplained, when they would mislead the plaintiff's customers to another shop." *Id.* at 142. The court enjoined the defendant from using the name "Waltham," even on

[13] The Lanham Act discarded the common law's distinction between technical trademarks and trade names by allowing registration of names, geographical terms, and "merely descriptive" terms if they had become "distinctive" of particular goods, *i.e.*, had gained a secondary meaning with regard to those goods. *See* 15 U.S.C. § 1052(f); *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 861 n.2 (1982) (White, J., concurring in result) ("the purpose of the Lanham Act was to codify and unify the common law of unfair competition and trademark protection").

the inner plates of the watches, unless there was an accompanying statement clearly distinguishing its watches from those of the plaintiff. *Ibid.*; *see also Prestonettes, Inc. v. Coty*, 264 U.S. 359, 368 (1924) (Holmes, J.) ("When the mark is used in a way *that does not deceive the public* we see no such sanctity in the word as to prevent its being used to tell the truth.") (emphasis added).

This Court reached the same result in a number of unfair competition cases in the early Twentieth Century. In *Herring-Hall-Marvin Safe Co. v. Hall's Safe Co.*, 208 U.S. 554, 559 (1908), for example, this Court concluded that the unadorned commercial use of one's own name, although literally true, could be enjoined under unfair competition law. The Court explained that "some names and phrases, otherwise truthful and natural to use, would convey to the public the notion that [the users later in time] were continuing the business done by the [original] company, or that they were in some privity with the established manufacturer of [goods] which the public already knew and liked. To convey that notion would be a fraud, and would have to be stopped. Therefore such names and phrases could be used only if so explained that they would not deceive." *Id.*; *see also Baglin v. Cusenier Co.*, 221 U.S. 580, 592 (1911) (holding that use of geographic term with secondary meaning constituted unfair competition, notwithstanding that it was an accurate geographic description of the goods); *id.* at 601 (reforming injunction to bar competitor from using the word even in descriptive manner unless it was clearly distinguished from original).

Petitioner errs in relying (Pet. Br. 25-26) on *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526 (1924), for the proposition that a competitor's use of a mark that "truthfully describe[s]" its product was not a "legal or moral wrong," even if likely to confuse. The Court's holding in that case was not that the competitor's use was somehow exempted from a trademark infringement action because it was a fair use. Instead, relying on the then-distinction

between "technical trademarks" and "trade names," the Court held that the first company held no valid "trademark" at all because the name of the product was "merely descriptive." *Id.* at 529. At the same time, as petitioner acknowledges (Pet. Br. 26 n.13), the Court entered a judgment in favor of the plaintiff on the "unfair competition" claim, explaining that "[t]he manufacturer or vendor is entitled to the reputation which his goods have acquired and the public to the means of distinguishing between them and other goods; and protection is accorded against unfair dealing whether there be a technical trademark or not." *Id.* at 531.[14]

[14] The Court's holding in the other case relied upon by petitioner (Pet. Br. 24-25), *Delaware & Hudson Canal Co. v. Clark*, 80 U.S. 311 (1872), was that geographical and descriptive terms could not be marks. *Id.* at 324. It did not discuss the law of unfair competition and, in light of the subsequent development of the "secondary meaning" doctrine, the case has fallen into desuetude. Petitioner's extensive quotation from *Clark* is from the recitation of the arguments of counsel, not the opinion of the Court. Pet. Br. 24-25 (quoting 80 U.S. at 317).

The additional cases relied upon by the United States (U.S. Br. 27-28) to depict the common law as allowing confusing uses as "fair" do not support that argument. The Court in *Standard Paint Co. v. Trinidad Asphalt Mfg. Co.*, 220 U.S. 446 (1911), held that the term was merely descriptive and thus not entitled to any protection under the law of trademark infringement. *Id.* at 455. The Court addressed "unfair competition" separately and determined that there was no unfair competition because the products were not sufficiently similar "as to amount to a fraud on the public." *Id.* at 460-461. *Howe Scale Co. v. Wyckoff, Seamans & Benedict*, 198 U.S. 118 (1905), applied the then-existing rule that a plaintiff must prove "fraudulent intent" on the part of a competitor before a court would grant relief on an unfair competition claim and found that "defendant's name and trade-mark were not intended or likely to deceive." *Id.* at 140. By the time of the Lanham Act, however, fraud was presumed as a matter of law if the effect was to cause confusion. *See Strauss v. Notaseme Hosiery Co.*, 240 U.S. 179, 182 (1916) (defendant is "chargeable for what in contemplation of law was an intentional wrong, or a fraud, although the case is wholly devoid of any indication of an actual intent to deceive, or to steal the reputation of the plaintiff's goods").

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This Court's view was shared by the federal Court of Customs and Patent Appeals at the time Congress was considering various iterations of the Lanham Act. That court observed that it was "well established" "that, even where a secondary meaning of a word is established, others have the right to use such word in its primary sense, *provided it is so used as not to lead the public to believe that it is purchasing the goods of one who has established such secondary meaning.*" *Spicer v. W.H. Bull Medicine Co.*, 49 F.2d 980, 982 (C.C.P.A. 1931) (emphasis added); *see Hygrade Food Prods. Corp. v. H.D. Lee Mercantile Co.*, 46 F.2d 771, 772-773 (C.C.P.A. 1931).[15]

Finally, *Armstrong Paint & Varnish Works v. Nu-Enamel Corp.*, 305 U.S. 315, 335-336 (1938), interpreted the Trademark Act of 1920 to prohibit "unfair use [of a mark] as a trade-mark or trade name by a competitor seeking to palm off his products as those of the original user of the trade name." It did not discuss the scope of "unfair competition," except to say that "[t]he essence of the wrong from the violation of this right [to be free from unfair competition] is the sale of the goods of one manufacturer for those of another." *Id.* at 336.

[15] *See also Computing Scale Co. v. Standard Computing Scale Co.*, 118 F. 965, 967 (6th Cir. 1902) ("[W]hen the word is incapable of becoming a valid [technical] trade-mark, because descriptive or geographical, yet has by use come to stand for a particular maker or vendor, its use by another in this secondary sense will be restrained as unfair and fraudulent competition, and its use in its primary or common sense confined in such a way as will prevent a probable deceit by enabling one maker or vendor to sell his article as the product of another."); *G&C Merriam Co. v. Saalfield*, 198 F. 369, 373 (6th Cir. 1912) ("owing to the fact that the word has come to mean, to a part of the public, something else, it follows that when the defendant approaches the same part of the public with the bare [descriptive] word, and with nothing else, applied to his goods, he deceives that part of the public, and hence he is required to accompany his use of the bare word with sufficient distinguishing marks normally to prevent the otherwise normally resulting fraud."); *Trappey v. McIlhenny Co.*, 281 F. 23, 28 (5th Cir.) (enjoining competitor from using a geographic term as the name of its sauce "or in any manner to designate or describe said sauce," or from using the term "otherwise than to state that the sauce manufactured by appellants is made from" produce of the geographic region, "said statement to be made in such manner as clearly to distinguish the

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The First *Restatement of Torts* likewise stated in 1937 that the "privilege" of persons to "use in connection with their business * * * words descriptive of" their goods was "qualified to the extent necessary to prevent one from misleading prospective purchasers, by the use of such names or words, into the erroneous belief that the goods which he markets are the goods with which another's trade-mark or trade name is associated." *Restatement*, *supra*, § 740 cmt. a; *see also id.* § 744 cmt. d ("If the defendant uses a designation which is descriptive of his goods or of their qualities or ingredients, the appropriate form of injunction may be one which is qualified so as to enable him to state truly the facts described by the designation without deceiving prospective customers.").

c. Thus, petitioner (Pet. Br. 24-26) and the United States (U.S. Br. 26-28) err in claiming that the common law allowed confusing uses of words so long as they were used descriptively and not as a mark. By the time the Lanham Act was enacted, this Court and others routinely held that a competing merchant was required to take affirmative steps to avoid consumer confusion that would be caused by its use of a descriptive term with secondary meaning. "Where the name is one which has previously thereto come to indicate the source of manufacture of particular devices [*i.e.*, a secondary meaning], the use of such name by another, unaccompanied with any precaution or indication, in itself amounts to an artifice calculated to produce the deception alluded to."

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sauce made by appellants from that manufactured by appellee"), *cert. denied*, 260 U.S. 733 (1922); *Andrew Jergens Co. v. Bonded Prods. Corp.*, 21 F.2d 419, 424 (2d Cir. 1927) ("The individual, however, has the privilege of using his own name in a manner which is not unfair trading. Therefore, Wm. A. Woodbury may say that the soap he sells is manufactured by or for him, provided he does so in a way to avoid confusion, as, for example, by the phrase, 'Not connected with the makers of "Woodbury's Soap."' "), *cert. denied*, 275 U.S. 572 (1928).

Singer Mfg. Co. v. June Mfg. Co., 163 U.S. 169, 188 (1896); *see* note 15, *supra*.

This Court treated the use of a descriptive term with secondary meaning as not "unfair competition" only if it was being used "fairly" so that it was not likely to confuse. *See Baglin*, 221 U.S. at 600 ("In short, [the defendants] were not debarred from making a statement of the facts, * * * provided it was made fairly and was not couched in language, or arranged in a manner, which would be misleading and would show an endeavor to trade upon the repute of the [plaintiffs' product]."); *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 120-121 (1938) ("The question remains whether Kellogg Company in exercising its right to use the name 'Shredded Wheat' * * * is doing so fairly. Fairness requires that it be done in a manner which reasonably distinguishes its product from that of plaintiff. * * * The obligation resting upon Kellogg Company is not to insure that every purchaser will know it to be the maker but to use every reasonable means to prevent confusion.").

Certainly when, as here, a competitor uses the same mark on the same product and targets it at the same consumer market, no common law court would have determined that the mark was "used fairly" by the competitor without assessing the likelihood of confusion that was going to result. As one of the leading treatise writers explained the year before the enactment of the Lanham Act, "though the defendant may adopt the words of the plaintiff's mark in a nontrade-mark use, he may still be subject to injunction if his use is misleading and results in passing on." 2 Rudolf Callman, *The Law of Unfair Competition and Trade-Marks* § 85.1(b), at 1357 (1st ed. 1945).[16]

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[16] This Court interpreted a predecessor of the Lanham Act to likewise prohibit the use of even the "primary meaning" of a descriptive mark. In *Thaddeus Davids Co. v. Cortlandt I. Davids*, 233 U.S. 461 (1914), the Court held that under the Trademark Act of 1905, ch. 592, 33 Stat. 724, the defendants could *not* use their own name in its

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2. Congress enacted "used fairly" to incorporate the common law "unfair competition" prohibition against likelihood of confusion

No legislator in 1946 apparently felt a need to set forth a statutory definition of the term "used fairly" in Section 1115(b)(4) in light of the well settled and common sense understanding of "fairly" in the context of the common law of unfair competition. Although, as the United States notes (U.S. Br. 25-26), other legislative proposals used the phrase "not likely to deceive the public," that is not indicative of Congress's intent. *Cf. Two Pesos*, 505 U.S. at 769 (interpreting a different provision of the Lanham Act that did not, at that point in time, expressly require proof of a likelihood of confusion to nonetheless require such proof).

The legislative record confirms that the term "fairly" was understood to codify the common law understanding that only uses not likely to confuse are permissible. *See Hearings on H.R. 102, H.R. 5461, and S. 895 Before the Subcomm. on Trade-marks of the House Comm. on Patents*, 77th Cong., 1st Sess. 65-66 (1941) (testimony of Edward

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secondary sense at all, and could legitimately use the word in its "primary sense," only "provided that the name was not used in a manner tending to mislead and it was clearly made to appear that the goods were [their] own, and not those of the registrant." *Id.* at 470-471. The United States errs (U.S. Br. 27) in describing *Thaddeus Davids* as prohibiting non-trademark use only if not undertaken in good faith. Rather, the Court held that "it could not be considered necessary that the complainant in order to establish infringement should show wrongful intent in fact on the part of the defendant, or facts justifying the inference of such an intent." *Id.* at 471. Indeed, leading treatise writers around the time of the Lanham Act's enactment described *Thaddeus Davids* as prohibiting use of a word even in its primary, descriptive sense if such a use was likely to confuse. *See* 2 Harry D. Nims, *The Law of Unfair Competition and Trade-Marks* § 229a, at 790 (4th ed. 1947) ("If an applicant obtains registration of such a mark, it is protected only in its trade or secondary sense. Anyone may still use it in its primary meaning, so long as he does not create confusion."); Walter J. Derenberg, *Trade-Mark Protection and Unfair Trading* 334 (1936) (same).

Rogers) (proposed language in earlier draft to the effect that "a fair use of a term commercially necessary truthfully to describe to users the goods or services of the defendant" is simply describing "the rule that courts now apply" that "a defendant has a right to use [a descriptive word], but he must use it in a way to clearly distinguish his goods from those of the other persons who had previously used it" and "in a way not calculated to deceive the public"); *Hearing on S. 895 Before a Subcomm. of the Senate Comm. on Patents*, 77th Cong., 2d Sess. 34 (1942) (testimony of Elliot Moyer, U.S. Dep't of Justice) (proposed language that term is "used fairly and in good faith only to describe to users the goods or services of the defendant," read in light of the "background in the law of unfair competition," requires subsequent user to "take affirmative action to prevent the public's being misled even with respect to a mark that is not an exclusive trade-mark").[17]

3. Interpreting "used fairly" to allow uses that are likely to confuse would be inconsistent with the international obligations of the United States at the time Section 1115(b)(4) was enacted

Recognizing that Section 1115(b)(4) incorporates the understanding of "used fairly" found in unfair competition law is consistent with the international treaties by which the United States was bound at the time Congress enacted Section 1115(b)(4) in 1946. Both the Paris Convention for the Protection of Industrial Property, 53 Stat. 1748 (ratified

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[17] It is clear that Congress intended the term "fairly" in Section 1115(b)(4) to be distinct from the "good faith" requirement because it rejected earlier proposals that would have permitted a defendant to invoke the defense upon a showing of "good faith" alone. *See Hearings on H.R. 102, supra*, at 71, 73 (discussing proposals for defense that would have allowed "a term or device which is descriptive of and used in good faith only to describe to users the goods or services of the defendant"); *cf.* U.S. Br. 16 n.16 (Australian statute that requires a showing only that the person is using a term in good faith).

by the United States in 1935), and the General Inter-American Convention for Trade Mark and Commercial Protection, 46 Stat. 2907 (ratified by the United States in 1931), required signatory nations to prohibit and redress "unfair competition."

The Paris Convention defined "unfair competition" to include generally "any act of competition contrary to honest practice in industrial or commercial matters," and more specifically "[a]ll acts whatsoever of a nature to create confusion in any way whatsoever with the establishment, the goods, or the services of the competitor." Art. 10 *bis*, 53 Stat. at 1780. The Inter-American Convention did not provide a definition of unfair competition that was tied to confusion, but it did define the term to include not only acts "contrary to commercial good faith," but also acts contrary to "the normal and honorable development of industrial or business activities," Art. 20, 46 Stat. at 2930-2932, again showing that good faith alone was not sufficient to negate a charge of unfair competition. There appears to have been no exception in either Convention for the confusing but "fair" uses espoused by petitioner.

These treaties are significant in interpreting the Lanham Act because the Act was enacted, in part, "to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations." 15 U.S.C. § 1127; *see also id.* § 1126(b), (h). Congress would not have sanctioned competitors' confusing uses of registered trademarks in an Act intended to meet international obligations to eliminate and remedy unfair competition.[18]

[18] The United States' suggestion (U.S. Br. 16 n.16) that the European Community's current law governing trademarks does not consider likelihood of confusion in its "fair use" defense is flawed because the government fails to include the proviso at the end of the relevant regulation. The regulation provides that a "trade mark shall not entitle the proprietor to prohibit a third party from using in the

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D. Subsequent Amendment Of Other Statutory Provisions Did Not Change The Meaning Of "Used Fairly," Notwithstanding Purported Statutory Overlap

Petitioner relies heavily on a 1988 amendment to other provisions of Section 1115 to argue that an interpretation of Section 1115(b)(4) that considers likelihood of confusion cannot stand because it would create an overlap with the elements that a trademark owner must show to prove infringement under Section 1114, which include a showing of likelihood of confusion. *See* Pet. Br. 8-9, 18-19; *see also* U.S. Br. 7 n.8, 16-17.

As originally enacted in 1946, however, Section 1115(b)(4) did not apply to Section 1114 infringement actions. *See Park 'n Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 199 n.6 (1985). And the fact that a subsequent amendment may have created some overlap does not alter the plain meaning of a statutory provision absent congressional intent to do so. Petitioner has not pointed to any evidence of congressional intent to expand Section 1115(b)(4) to allow unlimited confusing use. Finally, even taken at their best, the arguments of petitioner and the United States could justify at most a rejection by the Court of the rule that likelihood of confusion always must trump a defense under Section 1115(b)(4). Their arguments would not pose an obstacle to this Court affirming

course of trade * * * indications concerning * * * characteristics of the goods or service * * * *provided he uses them in accordance with honest practices in industrial or commercial matters*." European Council Regulation No. 40/94 on the Community Trade Mark, Dec. 20, 1993, Art. 12 (emphasis added). The European Court of Justice interprets that italicized phrase, drawn from the Paris Convention's definition of "unfair competition," as "constituting in substance the expression of a duty to act fairly in relation to the legitimate interests of the trade mark owner." Case C-63/97 *BMW v. Deenik*, 1999 E.C.R. I-905 ¶ 61. Thus, even when the use otherwise falls within the exception, the alleged infringer cannot use a mark "in a way that may create the impression that there is a commercial connection between [its] undertaking and the trade mark [owner]." *Id.* ¶ 64.

the judgment below and holding that likelihood of confusion is relevant to a "used fairly" determination and could render a use unfair in various instances, even if not in all.

1. As enacted, Section 1115(b)(4) did not overlap with proof of infringement because it was then a defense only to an infringement suit on an incontestable mark, where proof of likelihood of confusion was not required

Incontestability was an innovation of the Lanham Act. An incontestable mark gains such status based on an affidavit submitted by the owner attesting to the fact that the mark has been in continuous use for the five years since registration and is not then subject to any pending challenge. 15 U.S.C. § 1065(1)-(3). Incontestability was enacted to give some degree of dependability and reliability to mature trademark registrations by prohibiting certain challenges to the mark's validity being raised after a certain time. *See Park 'n Fly*, 469 U.S. at 198. It thus served to "quiet title in the ownership of [the] mark." *Ibid.*

An owner of an incontestable mark could establish liability for infringement under the Lanham Act, as originally enacted, without having to marshal evidence to show a likelihood of confusion. *See Hearings on H.R. 102, H.R. 5461, and S. 895 Before the Subcomm. on Trademarks of the House Comm. on Patents*, 77th Cong., 1st Sess. 224 (1941) (statement of Milton Handler) (incontestability "would prevent the use [of a descriptive term] in another mark no matter how distinguishable and despite the fact that such use would not be likely to result in confusion"); *Weil Ceramics & Glass, Inc. v. Dash*, 878 F.2d 659, 675 (3d Cir.) (relying on *Park 'n Fly* to hold that when the defendant claims that "the registrant should not have exclusive use of the trademarked item," an owner of an incontestable trademark was entitled under the original version of Section 1115 to bring an action without the need

to show a likelihood of confusion), *cert. denied*, 493 U.S. 853 (1989).[19]

That was because the certificate of registration of an incontestable mark served as "conclusive evidence of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified" and there was no requirement to show infringement. 15 U.S.C. § 1115(b) (1982). Congress limited the conclusive presumption to the goods specified in the affidavit filed to establish incontestability. *See* 15 U.S.C. § 1115(b) (1982); *Avon Shoe Co. v. David Crystal, Inc.*, 279 F.2d 607, 613 n.7 (2d Cir.), *cert. denied*, 364 U.S. 909 (1960).[20]

One of petitioner's *amici* elsewhere acknowledged this important relationship between the conclusive presumption

[19] Courts of appeals prior to *Park 'n Fly* had rejected the argument that the owner of an incontestable mark need not prove likelihood of confusion, *see, e.g.*, *Lindy Pen Co., Inc. v. Bic Pen Corp.*, 725 F.2d 1240, 1247 (9th Cir. 1984), *cert. denied*, 469 U.S. 1188 (1984), but they did so primarily because they held that incontestability could be used only "defensively." This Court rejected that position in *Park 'n Fly* as contrary to the text, structure and history of the statute. *See* 469 U.S. at 196-199. Although the United States' brief in this case suggests (U.S. Br. 6, 16) that incontestability is "distinct" from infringement, it has previously urged that the incontestable status of a mark is relevant to likelihood of confusion. *See* Brief for the United States as *Amicus Curiae*, *B&H Indus. v. Dieter*, No. 89-1193 at 17 (1990) ("[F]or purposes of determining likelihood of confusion, an incontestable trademark is presumed to have a certain minimum strength. That presumption is consistent with the Lanham Act and the rationale of this Court's decision in *Park 'N Fly*.").

[20] That conclusive presumption was drawn from the common law rule that "[c]ommercial usage of the identical trademark in the same business field is taboo, regardless of the element of confusion." Milton Handler, *Unfair Competition*, 21 Iowa L. Rev. 175, 183-184 (1936); *see* 2 Harry D. Nims, *The Law of Unfair Competition and Trade-Marks* § 346 (4th ed. 1947) (describing common law presumption that a competitor's use of an identical trademark on similar goods "causes deception and confusion of the public"); 2 Rudolf Callman, *The Law of Unfair Competition and Trade-Marks* § 82.3(e) (1st ed. 1945) (same).

of incontestability and the Section 1115(b)(4) defense, as originally enacted. *Amicus* INTA (formerly known as the United States Trademark Association), explained to Congress in 1987 that "[r]ead literally," Section 1115(b)'s "conclusive evidence of the registrant's exclusive right to use the registered mark" language as originally enacted "would mean that if a defendant's mark is very similar and is used on the same goods as those in the registration, infringement would be automatic and the registrant would be relieved of his burden of proving likely confusion." U.S. Trademark Ass'n, *Trademark Review Commission Report and Recommendations*, 77 Trademark Rep. 375, 415 (1987).

A defendant could overcome that conclusive evidence of exclusive right to use the incontestable mark only by establishing one of the then-seven defenses or defects listed in Section 1115(b) (including the "used fairly" defense at issue here), or by showing that the mark had not properly been granted incontestable status on one of several specified grounds stated in 15 U.S.C. § 1065. *See* 15 U.S.C. § 1115(b) (1982). The conclusive presumption then would fall aside and the plaintiff would be forced to prove a likelihood of confusion. In such circumstances, the defendant would also be able to rely on the common law defenses or defects it was permitted to raise against an owner of any registered mark pursuant to Section 1115(a). *See GTE Corp. v. Williams*, 904 F.2d 536, 540-541 (10th Cir.), *cert. denied*, 498 U.S. 998 (1990); *Opticians Ass'n of Am. v. Independent Opticians of Am.*, 920 F.2d 187, 192-193 (3d Cir. 1990). If the defendant did not meet such proof, it was bound by the statute's "conclusive evidence" of the mark owner's "exclusive" right to use the mark.

Congress recognized that defenses to such conclusive liability could be allowed in some circumstances without thwarting the goal of preventing consumer confusion because the use of the incontestable mark did not always, in fact, create the consumer confusion that was conclusively presumed. To avoid making the statute substantially

overprotective, Congress allowed defendants to prove that their use of the mark was, *inter alia*, not likely to confuse, *i.e.*, was being used fairly, as one element of a defense to rebut incontestability and thus avoid liability.

2. Congress's 1988 amendment of other provisions of Section 1115 did not change the meaning of "used fairly" in Section 1115(b)(4)

In 1988, Congress amended Section 1115 in the manner that gives rise to the overlap argument of petitioner and its *amici*.

First, Congress amended Section 1115(b) regarding incontestable marks to state that "[s]uch conclusive evidence of the right to use the registered mark shall be subject to proof of infringement as defined in section [1114]." Trademark Law Revision Act of 1988, Pub. L. No. 100-667, § 128(b), 102 Stat. 3935, 3945. Section 1114 is what governs proof of infringement of non-incontestable marks and it requires a showing of a likelihood of confusion. *See* 15 U.S.C. § 1114(1)(a). Second, Congress amended Section 1115(a), regarding non-incontestable marks, to provide that the defenses in Section 1115(b) for incontestable marks can be used as defenses to infringement of non-incontestable marks. *See* Trademark Law Revision Act, § 128(a), 102 Stat. at 3945. Congress amended Section 1115(b)(4) only to make a technical change, consistent throughout the statute, that removed an unnecessary reference to "trade or service" when describing marks. Congress otherwise left intact the text of the "used fairly" defense as originally enacted. Petitioner and its *amici* rely on an unintended consequence of those amendments that occurs when a mark owner must show, *inter alia*, a likelihood of confusion to prevail and the alleged infringer must show, *inter alia*, the absence of

a likelihood of confusion to establish the affirmative defense in Section 1115(b)(4).[21]

But likelihood of confusion is not a dichotomous variable that yields the rigid overlap that they suggest. There are varying degrees of likelihood of confusion, and a defendant's efforts to mitigate or reduce such confusion may tip the scales against an ultimate finding of likelihood of confusion. *See* 3 McCarthy, *supra*, §§ 23:19, 23:79 (describing multi-factor balancing test for likelihood of confusion). This, again, would be akin to the common law rule that looked to disclaimers and other efforts by defendants to minimize likelihood of confusion. *See* pages 33, 35-36 & n.15, *supra*. Petitioner cites no evidence that Congress intended to alter this longstanding view of the common law, which was available in defense against non-incontestable marks prior to 1988, and to instead create something that was not previously available and runs contrary to the words of the Act – a "used fairly" defense that allows unlimited confusing uses.

Moreover, defenses that mirror substantially a plaintiff's burden to establish liability are not uncommon. For example, in the Age Discrimination in Employment Act, Congress prohibited an employer from "discharg[ing] any individual * * * because of such individual's age," while providing an affirmative defense for the employer to show that the discharge was "for good cause." 29 U.S.C. § 623(a)(1), (f)(3). The latter defense simply defeats the plaintiff's original complaint, for if an employee was fired for a good cause, then he was not fired because of his age.

The same is true of the "used fairly" defense in Section 1115(b)(4), which currently serves to emphasize that a court must not allow uses that unfairly confuse consumers. It does not convey, as petitioner contends, a means to

[21] For the Court's convenience, Sections 1114 and 1115 as currently codified are reproduced at App., *infra*, 1a-4a. Section 1115 as in effect immediately prior to the 1988 amendment is reproduced at App., *infra*, 5a-7a.

obtain summary judgment before a court can assess the question whether, and how much, the defendant's use of the term is likely to confuse the public. Section 1115(b)(4) may now best be understood as a "statutory 'exclamation point,'" reminding courts of their obligations to allow commercial use of a trademark by a competitor only so long as there is no likelihood of confusion. *See Pennsylvania v. Union Gas Co.*, 491 U.S. 1, 54 n.6 (1989) (White, J., concurring in judgment in part, joined by Rehnquist, C.J., and O'Connor and Kennedy, J.J.); *cf. Saltonstall v. Birtwell*, 164 U.S. 54, 70 (1896) ("[I]t is not unusual, in a succession of statutes on the same subject-matter, amending or modifying previous provisions, that a word or phrase may remain, although rendered useless or meaningless by the amendments. Such words are merely vestigial, and should not be permitted to impair or defeat the fair meaning of the enactment.").

3. Petitioner's absolute defense would not expedite cases and would not avoid overlap, as petitioner's own *amici* demonstrate

a. Although petitioner complains (Pet. Br. 36) that the likelihood of confusion under Section 1115(b)(4) poses a barrier to summary judgment, it has not identified any evidence of such a problem. The Ninth Circuit's application of its interpretation of Section 1115(b)(4) over the past 20 years shows that considering likelihood of confusion as part of the defense does not impose a significant burden on defendants. Invocations of Section 1115(b)(4) are rarely successful because defendants fail to meet one of the other statutory requirements. *See Lindy Pen Co., Inc. v. Bic Pen Corp.*, 725 F.2d 1240, 1248 (9th Cir. 1984) (did not meet defense because term used as a mark), *cert. denied*, 469 U.S. 1188 (1984); *Brookfield Communications, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036, 1066 (9th Cir. 1999) (same); *Brother Records, Inc. v. Jardine*, 318 F.3d 900, 907 (9th Cir.) (same), *cert. denied*, 124 S. Ct. 155 (2003); *Playboy Enters., Inc. v. Welles*, 279 F.3d 796, 801-802 (9th

Cir. 2002) (did not meet defense because not descriptive of defendant's goods).

In addition, the court has affirmed summary judgment for defendants on their Section 1115(b)(4) defenses when the evidence regarding likelihood of confusion was found to be capable of resolution without trial. *See Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1155 n.14 (9th Cir. 2002); *In re Dual-Deck Video Cassette Recorder Antitrust Litig.*, 11 F.3d 1460, 1466 (9th Cir. 1993); *see also* Pet. C.A. Br. 60-61 (citing cases in which Ninth Circuit has entered summary judgment for defendants on likelihood of confusion). Thus, contrary to the argument of the United States (U.S. Br. 29), proving the absence of a likelihood of confusion is not onerous. Nor is it foreign to the statutory scheme. The PTO places that very burden on the mark owner at the registration stage if the examiner identifies a previously registered mark that raises a likelihood of confusion question. *See TMEP*, *supra*, § 1207.01(d)(i), (iv).

In what appears to be the only other Ninth Circuit case in which the defense was denied because of factual disputes regarding likelihood of confusion, it is in circumstances, like this case, where the use as described seems objectively unfair. *See Playboy Enters., Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir. 2004) (defendant relied on secondary meaning of plaintiff's descriptive mark to divert consumers from plaintiff's product to defendant's and created actual confusion).

Even under petitioner's interpretation, Section 1115(b)(4) is, by definition, a matter that is not readily susceptible to summary judgment. That is because a necessary component of the Section 1115(b)(4) defense is that the defendant be acting in "good faith," a subjective state of mind rarely appropriate for summary judgment. *See Harlow v. Fitzgerald*, 457 U.S. 800, 815-816 (1984).[22]

[22] Regardless of how the Court resolves the question presented, significant disputes of material fact bar entry of summary judgment for

(Continued on following page)

b. Finally, petitioner's absolute defense runs contrary to the views of its own *amici* that likelihood of confusion is relevant to determining whether a mark is being "used fairly" for purposes of Section 1115(b)(4). *See* pages 15-16, *supra*. Even if the Court were to reject the view that a finding of likelihood of confusion should always preclude a defense that the mark is being "used fairly," the Court should recognize that "used fairly" must be given some meaning. That meaning necessarily includes consideration of likelihood of confusion. That would eliminate petitioner's overlap concern because there would be instances in which the Section 1115(b)(4) defense would not wholly overlap with the mark owner's likelihood of confusion proof. And, as pointed out above, *see* pages 17-19, *supra*, the "used fairly" determination certainly must take into account the degree of unfairness to the consuming public that could result in a particular case where confusion exists that could affect health or safety.

Thus, the court of appeals' judgment reversing the district court's entry of summary judgment for petitioner on the Section 1115(b)(4) defense and remanding for

petitioner on the Section 1115(b)(4) defense. Because the court of appeals remanded on the "used fairly" requirement of Section 1115(b)(4), it did not address the disputed facts regarding the good faith requirement or the requirements that the use be "otherwise than as a mark" and "only to describe" petitioner's goods. The parties dispute the facts regarding whether petitioner used the term "Micro Colors" on its bottles prior to respondents, on which the district court apparently relied for its fairness determination. *See* page 5, *supra*. In addition, as one *amicus* acknowledges (AIPLA Br. 17 & n.11), the district court never made a determination whether petitioner's stylized use of the term on its marketing brochure in 1999 was used "otherwise than as a mark" and "only to describe" petitioner's goods. The Court therefore should reject petitioner's suggestion that it review the facts and determine whether each of its uses meets each of Section 1115(b)(4)'s requirements. Pet. Br. 19-22. These issues are more appropriately left to the lower courts in the first instance on remand. Moreover, respondents' state law claims of unfair competition must be addressed by the lower courts even if petitioner prevails on its Lanham Act defense.

further proceedings should be affirmed. *See, e.g., County of Yakima v. Confederated Tribe & Bands of the Yakima Indian Nation*, 502 U.S. 251, 266-267, 270 (1992) (affirming court of appeals judgment to remand case to district court even while rejecting legal rule that court of appeals had directed district court to employ); *Meritor Sav. Bank v. Vinson*, 477 U.S. 57, 69, 73 (1986) (same).

CONCLUSION

For the reasons set forth above, the judgment of the court of appeals should be affirmed.

Respectfully submitted,

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APPENDIX A

The Trademark Act of 1946, ch. 540, 60 Stat. 427, as amended, currently provides in relevant part, as codified in Title 15, United States Code (2000 ed.):

§ 1114. Remedies; infringement; innocent infringement by printers and publishers

(1) Any person who shall, without the consent of the registrant –

> (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or
>
> (b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering of sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

* * * * *

§ 1115. Registration on principal register as evidence of exclusive right to use mark; defenses

(a) Evidentiary value; defenses

Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude another person from proving any legal or equitable defense or defect, including those set forth in subsection (b) of this section, which might have been asserted if such mark had not been registered.

(b) Incontestability; defenses

To the extent that the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce. Such conclusive evidence shall relate to the exclusive right to use the mark on or in connection with the goods or services specified in the affidavit filed under the provisions of section 1065 of this title, or in the renewal application filed under the provisions of section 1059 of this title if the goods or services specified in the renewal are fewer in number, subject to any conditions or limitations in

the registration or in such affidavit or renewal application. Such conclusive evidence of the right to use the registered mark shall be subject to proof of infringement as defined in section 1114 of this title, and shall be subject to the following defenses or defects:

(1) That the registration or the incontestable right to use the mark was obtained fraudulently; or

(2) That the mark has been abandoned by the registrant; or

(3) That the registered mark is being used by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services on or in connection with which the mark is used; or

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin; or

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to (A) the date of constructive use of the mark established pursuant to section 1057(c) of this title, (B) the registration of the mark under this chapter if the application for registration is filed before the effective date of the Trademark Law Revision Act

of 1988, or (C) publication of the registered mark under subsection (c) of section 1062 of this title: *Provided, however,* That this defense or defect shall apply only for the area in which such continuous prior use is proved; or

(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this chapter or publication under subsection (c) of section 1062 of this title of the registered mark of the registrant, and not abandoned: *Provided, however,* That this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or

(7) That the mark has been or is being used to violate the antitrust laws of the United States; or

(8) That the mark is functional; or

(9) That equitable principles, including laches, estoppel, and acquiescence, are applicable.

APPENDIX B

The Trademark Act of 1946, ch. 540, 60 Stat. 427, as it existed prior to its 1988 amendments, provided in relevant part, as codified in Title 15, United States Code (1982 ed.):

§ 1115. Registration on principal register as evidence of exclusive right to use mark; defenses

(a) Evidentiary value; defenses

Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of registrant's exclusive right to use the registered mark in commerce on the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude an opposing party from proving any legal or equitable defense or defect which might have been asserted if such mark had not been registered.

(b) Incontestability; defenses

If the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the affidavit filed under the provisions of said section 1065 subject to any conditions or limitations stated therein except when one of the following defenses or defects is established:

(1) That the registration or the incontestable right to use the mark was obtained fraudulently; or

(2) That the mark has been abandoned by the registrant; or

(3) That the registered mark is being used by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services in connection with which the mark is used; or

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a trade or service mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe to users the goods or services of such party, or their geographic origin; or

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to registration of the mark under this chapter or publication of the registered mark under subsection (c) of section 1062 of this title: *Provided, however,* That this defense or defect shall apply only for the area in which such continuous prior use is proved; or

(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this chapter or publication under subsection (c) of section 1062 of this title of the registered mark of the registrant, and not abandoned: *Provided, however,* That this defense or defect shall apply only for the area in which

the mark was used prior to such registration or such publication of the registrant's mark; or

(7) That the mark has been or is being used to violate the antitrust laws of the United States.